



STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 19, 2013 - 1:07 p.m.
Concord, New Hampshire

REDACTED
(For public use)

RE: DE 13-018
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
*Default Service for the period
February 1, 2014 through April 30, 2014
for the Large & Medium Customer Group.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

I N D E X**PAGE NO.**

WITNESS: **JOHN D. WARSHAW**
(added at Page 41) **STEPHEN R. HALL**

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13	Confidential version of GSEC's Default Service filing for the period beginning February 1, 2014, including the Testimony & Schedules of John D. Warshaw (12-16-13)	5
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P R O C E E D I N G

CHAIRMAN IGNATIUS: Good afternoon. I'd like to open the hearing in Docket DE 13-018. This is Granite State Electric Company, doing business as Liberty Utilities, proposal for default service. And, this is a docket that was opened at the beginning of the year, and we've had multiple proceedings under it, that have been noticed, and we're now at the stage of the most recent solicitation for supply.

Why don't we begin with appearances.

MS. KNOWLTON: Good afternoon, Commissioners. My name is Sarah Knowlton. I'm here today for Granite State Electric Company, which does business as Liberty Utilities. And, with me today from the Company is the Company's witness, John Warshaw, and David Simek and Stephen Hall.

CHAIRMAN IGNATIUS: Good afternoon and welcome.

MR. WARSHAW: Good afternoon.

MS. CHAMBERLIN: Good afternoon. Susan Chamberlin, Consumer Advocate for the residential ratepayers.

CHAIRMAN IGNATIUS: Good afternoon.

MS. AMIDON: Good afternoon. Suzanne

1 Amidon, for Commission Staff. With me today is Grant
2 Siwinski, an analyst in the Electric Division.

3 CHAIRMAN IGNATIUS: Welcome, everyone.
4 I see Mr. Warshaw is ready to go. Is there anything to
5 take up before he testifies?

6 MS. KNOWLTON: There are three documents
7 the Company would propose to mark for identification. The
8 first, which I believe would be "Exhibit 13", is the
9 confidential Default Service filing that was made on
10 December 16th, 2013. And, this is for the period
11 beginning February 1st, 2014.

12 The second document would be
13 "Exhibit 14", and that is the redacted version of that
14 same filing.

15 CHAIRMAN IGNATIUS: We'll mark both of
16 those for identification. So, 13 is the confidential
17 filing and 14 is the redacted public version?

18 MS. KNOWLTON: Correct.

19 (The documents, as described, were
20 herewith marked as **Exhibit 13** and
21 **Exhibit 14**, respectively, for
22 identification.)

23 MS. KNOWLTON: And, we also have a
24 one-page document entitled "ISO-NE Real-Time and Day-Ahead

1 Clearing Price" that we would like to mark as "Exhibit
2 15". And, we have shared that with all of the parties.

3 CHAIRMAN IGNATIUS: All right. Is there
4 any opposition to marking that for identification?

5 MS. AMIDON: No.

6 CHAIRMAN IGNATIUS: It doesn't appear.
7 All right. We'll do that, mark it for identification as
8 "Exhibit 15".

9 (The document, as described, was
10 herewith marked as **Exhibit 15** for
11 identification.)

12 CHAIRMAN IGNATIUS: And, we also have a
13 pending Motion for Protective Order. Is that an issue
14 that anyone -- are there any parties who are in opposition
15 to the request for confidential?

16 MS. AMIDON: The Staff doesn't object,
17 because it relates to settlement negotiations that have
18 been very sensitive between the Company and National Grid.
19 So, we actually think it's appropriate to approve the
20 Motion for Confidential Treatment in this regard.

21 CHAIRMAN IGNATIUS: We're of the same
22 mind. Just want to make sure we don't have any other
23 outstanding arguments. It sounds like there are none.
24 All right. Well, we will grant them, grant the Motion for

[WITNESS: Warshaw]

1 Protective Order regarding the borderline sales testimony.
2 Thank you.

3 MS. KNOWLTON: And, on behalf of the
4 Company, we have a very recent development with regard to
5 those negotiations. And, I'm prepared to make an offer of
6 proof to the Commission on that, at whatever time during
7 the hearing you'd like that.

8 CHAIRMAN IGNATIUS: All right. Would
9 that be after Mr. Warshaw?

10 MS. KNOWLTON: Sure.

11 CHAIRMAN IGNATIUS: All right. Thank
12 you.

13 CMSR. SCOTT: And, is that confidential,
14 what would --

15 MS. KNOWLTON: Yes. So, we would want
16 to go on the confidential record for that update.

17 CHAIRMAN IGNATIUS: All right. Why
18 don't you begin then, and with swearing the witness,
19 Mr. Patnaude.

20 MS. KNOWLTON: The Company calls John D.
21 Warshaw.

22 (Whereupon **John D. Warshaw** was duly
23 sworn by the Court Reporter.)

24 **JOHN D. WARSHAW, SWORN**

DIRECT EXAMINATION

BY MS. KNOWLTON:

Q. Mr. Warshaw, would you state your full name for the record please.

A. John D. Warshaw.

Q. By whom are you employed?

A. Liberty Energy Utilities New Hampshire Corp.

Q. What is your position with the Company?

A. I'm the Manager of Electric Supply.

Q. What do your job responsibilities entail in that position?

A. Among other things, I am responsible for procuring the Default Service supply for our Energy Service customers. And, I also do the solicitations and procurement of renewable energy certificates to meet the New Hampshire Renewable Portfolio Standard requirement.

Q. Do you have before you the documents that have been marked "Exhibits 13" and "14"?

A. Yes, I do.

Q. And, do those contain the testimony that you filed on December 16th in this proceeding?

A. Yes.

Q. Was that testimony prepared by you or under your

[WITNESS: Warshaw]

1 direction?

2 A. Yes.

3 Q. Do you have any corrections to your testimony?

4 A. None.

5 Q. If I asked you the questions in your testimony today,
6 would the answers be the same?

7 A. Yes. Well, other than a discussion on the borderline
8 sales in my testimony.

9 Q. Thank you. That was not a trick question.

10 (Laughter.)

11 **BY THE WITNESS:**

12 A. Felt that way.

13 MS. KNOWLTON: See, he pays attention.

14 BY MS. KNOWLTON:

15 Q. Mr. Warshaw, would you summarize the rates that the
16 Company is seeking approval for for the period
17 beginning February 2014.

18 A. Yes. We are seeking to, for the Medium and Large
19 Customer Group, we are looking to have rates effective
20 for February 1st, for the month of February, of 16.040
21 cents per kilowatt-hour; for the March period, it would
22 be 8.724 cents per kilowatt-hour; and, for the April
23 period, it would be 6.773 cents per kilowatt-hour.
24 And, that would be the -- that's with all of the

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[WITNESS: Warshaw]

1 adjustments that we've proposed for these rates.

2 Q. Do you have an explanation for the disparity in the
3 rates in February versus March and April?

4 A. Yes. The rates -- the rate in February is
5 significantly higher than March and April, and that's
6 directly due to the market's reaction to the current
7 situation in New England regarding the ability of
8 natural gas to be available for generation during
9 periods of significant cold weather. As a result, the
10 market is looking at that as a very risky period, and
11 so prices reflect that. Both, you know, as a result of
12 the cost of natural gas, and also the risk of having to
13 procure generation from expensive generation units.

14 Q. And, we've marked for identification a document as
15 "Exhibit 15" from the ISO-New England. Do you have
16 that in front of you?

17 A. Yes, I do.

18 Q. And, are you familiar with this document?

19 A. Yes, I am.

20 Q. Would you describe what this is.

21 A. This is the clearing price in day-ahead and real-time
22 in ISO-New England, from December 13th through December
23 18th. And, this is the hourly clearing price. And,
24 I'd like to bring to your attention the spike that

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1 occurred on December 14th. And, that was around hour
2 1700, which is 5 o'clock. And, at the time, the
3 real-time price cleared at almost \$1,300 a
4 megawatt-hour.

5 The ISO issued a memo yesterday
6 explaining what happened. And, basically, two things
7 went on. One, the actual real-time actual load that
8 the ISO was experiencing began to be much higher than
9 what was forecast in the previous day. And, then, at
10 the same time, there's no explanation of why the
11 imports into New England got cut. So, as a result,
12 ISO-New England was in a capacity-deficient situation.
13 They declared an Operation Procedure 4 to revolve that
14 problem. And, after approximately an hour, they were
15 able to resolve the deficiency, and prices went back to
16 a more, oh, a better reflection of the market at the
17 time, still significantly higher than what we would
18 normally see.

19 Q. What you see in Exhibit 15, does that bear any relation
20 to the increased prices that the Company received from
21 the suppliers for February?

22 A. Yes. This is just an indication of why suppliers have
23 put a fairly large, I would say, market risk in their
24 pricing for delivery of power during the winter period

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[WITNESS: Warshaw]

1 in New England, and especially in February.

2 Q. Is Granite State's -- the prices that were received by
3 Granite State for February, in your view, anomalous
4 compared to other utilities or similar?

5 A. No. These are similar to what other utilities have
6 seen. I actually reached out to one of -- to National
7 Grid and spoke with their procurement analyst for
8 Massachusetts Electric. And, they, at almost the same
9 time that we went out for our Large Customer Group,
10 they went out for pricing for their Large Customer
11 Group. And, while they did not share in the pricing
12 that they received, they did agree with me that the
13 pricing for February was extremely ugly, compared to
14 the pricing they received for March and April.

15 Q. And, when you say "ugly", is that referring to
16 significantly higher than the prices for March and
17 April?

18 A. Yes. Significantly higher from March and April, yes.

19 Q. Were there any anomalies in the number of bidders that
20 responded to the RFP for this solicitation?

21 A. Yes. We had a fewer-than-normal participants in our
22 RFP. And, again, when I talked to my National Grid
23 compatriot, he had -- he saw had the same experience.
24 But, again, you know, it's considered confidential

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[WITNESS: Warshaw]

1 information, and they didn't tell me how many bidders
2 they had, but they did say they did not have the
3 participation that they have had in the past.

4 Q. And, would you point in the filing, looking at the
5 confidential version of the filing, Exhibit 13, where
6 can we see the number of bidders on this solicitation?

7 A. That would be, if you look on Bates stamp 073,
8 Exhibit 9.

9 Q. And, where would we find the number of indicative bids
10 that came in?

11 A. That would be on Bates stamp 066. And, then, final
12 bids you would see on Bates stamp 069.

13 Q. And, Mr. Warshaw, if we need to go into the
14 confidential portion of the transcript, you know,
15 please say so. But do you have any explanation for why
16 there's a difference between the number of indicative
17 bids and final bids?

18 A. One of the bidders who declined to provide a final bid,
19 again, was their marketing folks were very reluctant to
20 bid into the market with the amount of uncertainty that
21 they see in the forwards for that period of time.

22 Q. Assuming that the proposed rates are approved, what
23 will be the increase the customers will experience?

24 A. Customers -- these customers would see an increase of

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[WITNESS: Warshaw]

1 somewhere between 8.8 and 10.2 percent, as compared to
2 the previous three-month period of November 2013
3 through January 2014.

4 Q. Mr. Warshaw, does the Company's filing make any
5 proposal with regard to how RGGI auction proceeds in
6 calendar year 2014 will be treated?

7 A. We are proposing to include any RGGI 2014 credits
8 received in our next retail rate filing, which would be
9 in November of 2014.

10 Q. And, how is that different than how RGGI auction
11 proceeds are treated now?

12 A. Currently, RGGI auction proceeds received for the
13 auctions that were held during 2013 are to be credited
14 to Default Service customers. And, we calculated a
15 RGGI credit in September of this year. And, that was
16 -- that was based on the first two quarters of RGGI
17 auction. We will have a new RGGI credit in our March
18 of 2014 filing. And, we will then, at that time, have
19 the Q3 and the Q4 RGGI credits in hand. We will also
20 reconcile the credits that we provided to our customers
21 for Q1 and Q2 against the actual credit. And, if
22 there's any difference, we would reconcile that in the
23 filing also in March of 2014.

24 Q. Has the Company received any proceeds from the Q3 2013

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1 auction?

2 A. Yes, we have.

3 Q. How much?

4 A. Around the middle of October, we received \$235,380.15
5 as the default service rebate in the RGGI auction for
6 the State of New Hampshire.

7 Q. Is the Company seeking Commission approval in this
8 docket of the methodology that it's proposed for
9 distribution of the 2014 RGGI auction proceeds?

10 A. No.

11 Q. Let me phrase it another way. The Company's testimony
12 contains a proposal for how it will refund to all
13 distribution customers the proceeds from RGGI auctions
14 beginning January 1st, 2014, is that correct?

15 A. Yes.

16 Q. And, --

17 A. But we don't have a value of what that would be. We
18 would not know what that credit value would be until we
19 perform the calculation for the November 2014 retail
20 rate filing.

21 Q. Have you proposed a method for conducting that
22 calculation?

23 A. It would be similar to the calculation that we used for
24 the credit to our Default Service customers, but

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1 instead we would use the forecast for our entire
2 distribution customers, instead of our Default Service
3 customers.

4 Q. And, in order to conduct that calculation for March,
5 would you be seeking Commission approval for that
6 methodology as part of this docket? Approval for how
7 you would conduct that calculation, not the amount of
8 the calculation, but how the calculation would be
9 conducted?

10 A. We wouldn't be seeking that in March. We're seeking
11 that now.

12 Q. The method -- for approval of the method of the
13 calculation?

14 A. Yes. Yes.

15 Q. Right. And, my question is, you would need that
16 decided in, you know, the next month or so, so that you
17 could make that calculation and submit it to the
18 Commission in March, correct?

19 A. For the 2013 Default Service credit, yes.

20 Q. Okay. I believe we're having a miscommunication. I'm
21 not being clear. So, the 2013 RGGI calculation, you
22 have a methodology to do that, correct?

23 A. Correct.

24 Q. And, you'll be providing the Commission in March the

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[WITNESS: Warshaw]

1 calculation for what that refund is to Default Service
2 customers that includes the Q3 and the Q4 2013 auction
3 proceeds, correct?

4 A. Correct. Yes.

5 Q. And, in your testimony, you've suggested to the
6 Commission how the Company would treat auction proceeds
7 from 2014 RGGI auctions, correct?

8 A. Yes.

9 Q. And, are you asking the Commission today to approve in
10 this docket the method for the 2014 auction proceed
11 calculation?

12 A. Yes.

13 Q. Thank you. Mr. Warshaw, is the Company making any
14 proposal with regard to the RPS adder?

15 A. Yes. We are proposing to change the RPS adder from the
16 value that we had proposed in September, to a different
17 value for the next three months for this customer
18 group.

19 Q. Why is the Company proposing to have that change made
20 so soon after the adder was established?

21 A. At the same time that we issued the solicitation for
22 Default Service, we also issued a solicitation for
23 renewable energy credits to meet some of our 2013 and
24 2014 New Hampshire RPS requirements. And, based on the

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[WITNESS: Warshaw]

1 bids that we received and the prices, it was an
2 indication that we needed to change our pricing,
3 because there seems to -- there is a lack of market
4 availability for New Hampshire Class II through IV RECs
5 at this time.

6 Q. What is the amount of the proposed adder?

7 A. The adder would be \$5.53 per kilowatt-hour.

8 Q. What was the prior adder?

9 A. Oh, I'm sorry, let me apologize. It's 0.553 cents per
10 kilowatt-hour. I apologize.

11 CHAIRMAN IGNATIUS: You had me nervous
12 there.

13 **BY THE WITNESS:**

14 A. Just slid across, from one line to the other. And, I
15 don't remember what the previous adder was. But it was
16 a little bit lower than this, but not a lot.

17 BY MS. KNOWLTON:

18 Q. Okay. Do you recall in your testimony at the September
19 Default Service hearing providing the Commission with
20 an update on the status of Massachusetts Electric
21 Company's installation of certain tie meters as part of
22 its separation of Granite State from other National
23 Grid companies?

24 A. Yes.

[WITNESS: Warshaw]

1 Q. And, in that testimony, you stated that those meters
2 would be installed by the end of this year, is that
3 correct?

4 A. Yes.

5 Q. Do you have any update that you can provide the
6 Commission on the status of Mass. Electric's
7 installation of those meters?

8 A. Yes. Two of those locations that we were looking to
9 have meters installed have been installed, and they're
10 in the process of being commissioned, which is setting
11 them up in the system to be able to be read on a
12 consistent basis and factored into the calculations of
13 load. There's a third location that, due to a very low
14 prior -- a very low probability that that meter would
15 be needed, plus the substation that it would be
16 installed in, there's questions whether that substation
17 would be around for many more years, it was decided to
18 instead create a manual process to inform any load
19 calculations, if there is a change in the breakers at
20 that meter, at that substation for that meter location.
21 There was also a discussion at one point about serving
22 the borderline customers of Massachusetts Electric.
23 And, at one point, Mass. Electric was thinking of
24 putting in place metering, so that, instead of being on

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[WITNESS: Warshaw]

1 our borderline sales tariff, it would become a tie
2 line. But, in further investigation of that,
3 Massachusetts Electric decided they had no interest in
4 investing in those meters, and instead they wanted
5 Granite State Electric to bear the cost of those
6 meters. Granite State Electric looked at that and
7 evaluated that they did not need to install those
8 meters, and instead are happy with, you know, with the
9 borderline sales tariff as is and elected not to
10 install meters.

11 Q. So, as a result of that decision by Massachusetts
12 Electric Company, then Granite State will continue to
13 bill Massachusetts Electric Company under its
14 borderline service agreement for sales to those
15 customers on a going-forward basis?

16 A. Yes. And, Granite State's customers then will be made
17 whole.

18 MS. KNOWLTON: Thank you. I have
19 nothing further for Mr. Warshaw.

20 CHAIRMAN IGNATIUS: Thank you.
21 Ms. Chamberlin.

22 **CROSS-EXAMINATION**

23 BY MS. CHAMBERLIN:

24 Q. Mr. Warshaw, are the costs of the ISO Winter

[WITNESS: Warshaw]

1 Reliability Program, do they flow through this Default
2 Service rate?

3 A. Yes. Just in the month of February.

4 Q. And, what are the costs that are being allocated to
5 Liberty?

6 A. We estimated what our costs would be based on the total
7 cost that ISO-New England published for the Winter
8 Reliability Program. And, that portion of the cost we
9 then calculated a cents per kilowatt-hour estimate of
10 what that cost would be to Granite State. And, we
11 included that in the September Default Service filing
12 for the months of December and January, and now we are
13 including it in just the February month for the Large
14 Customer Group.

15 Q. Oh, I see. So, once we go through February, that cost
16 will be collected and you'll be finished?

17 A. Correct. We would then be receiving the actual bills
18 from the customers to what their actual costs were. I
19 mean, not the customers, the suppliers, what their
20 actual costs were.

21 Q. Okay. And, do you recall what that adder is? Or, is
22 it in one of these schedules?

23 A. It's in the schedules. If you look on --

24 Q. JDW-5, Page 1 of 2?

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[WITNESS: Warshaw]

1 A. Yes. If you look on Bates 091, --

2 Q. Yes.

3 A. -- it's 0.241 cents per kilowatt-hour for the month of
4 February.

5 Q. All right. And, did you say you're just charging the
6 C&I customers or is that also a residential rate?

7 A. That's also included in the residential rate that was
8 approved in September.

9 Q. Okay. Do you know if, on Exhibit 15, in this December,
10 if the Winter Reliability Program was implemented?

11 A. I don't know if the ISO called on any of the oil
12 generation for that. The oil generation is usually a
13 unit that takes a couple of hours to ramp up. So, for
14 what the generation is that that was needed to meet
15 that spike and why the price was that high, we do not
16 have any information on that. And, the ISO does not
17 provide the detail of that information, what generation
18 was running. That's considered market-sensitive and
19 confidential information.

20 MS. CHAMBERLIN: Thank you very much.

21 That's all I have.

22 CHAIRMAN IGNATIUS: Thank you.

23 Ms. Amidon.

24 MS. AMIDON: Thank you. Good afternoon.

[WITNESS: Warshaw]

1 WITNESS WARSHAW: Good afternoon.

2 BY MS. AMIDON:

3 Q. I wanted to call your attention to -- and, if you know
4 where this is, you can help me out, because I misplaced
5 my note. You have in your filing an exhibit which
6 depicts the costs of a commodity in this particular
7 procurement with the commodity costs from the same time
8 last year. Could you direct us to that?

9 A. That's on Bates stamp 079.

10 Q. Okay. Thank you. So, just walk us through what this
11 exhibit depicts, if you would please.

12 A. What this exhibit attempts to show is the change in
13 average pricing for both electric -- for electric
14 futures, natural gas futures, and the actual prices
15 that the Company received for default service, and how
16 that changed from the same period in 2013 to this
17 period in 2014. And, as you can see, the electric
18 futures are, on average, up about almost 39 percent
19 between last year and this year. And, the pricing that
20 we received and agreed to in our bids are up almost
21 45 percent. So, they're up in a similar amount.

22 Q. And, that is the -- based on the average price for the
23 three-month period, is that right?

24 A. Yes.

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[WITNESS: Warshaw]

1 Q. And, again, if we go to I believe it was Bates stamp
2 091, and I believe you have this exhibit in your
3 testimony or the non-confidential information, this
4 gives sort of a clear depiction of the breakdown of the
5 costs for each of the months, February, March, and
6 April, for the rate, is that right?

7 A. Yes.

8 Q. And, so, in addition to the customary reconciliation
9 factors, which are at Lines 6 and 7, at Line 8 we can
10 see the RGGI rebate on a per kilowatt-hour basis, which
11 applies to each of the three months, correct?

12 A. Yes.

13 Q. And, then, below that, in Line 9, is, as has been
14 referred to in your testimony and noticed by Attorney
15 Chamberlin, you have for February the cost associated
16 with the Winter Reliability Program?

17 A. Yes.

18 Q. And, then, below that, at Line 10, you have the
19 Renewable Portfolio adder?

20 A. Yes.

21 Q. And, all of these are elements of the Energy Service
22 rate, which lead to the totals that we see below?

23 A. Yes.

24 Q. And, I believe, and subject to check, that the

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[WITNESS: Warshaw]

1 Commission, in the September filing, approved an adder
2 -- RPS adder of 5 -- I think it was 0.525 cents per
3 kilowatt-hour or in that neighborhood. Would you agree
4 that the change here is not a significant change, but
5 it was something that you decided to make at this point
6 because of the experience with the RP for the renewable
7 energy certificates?

8 A. Yes.

9 MS. AMIDON: One moment please.

10 (Short pause.)

11 BY MS. AMIDON:

12 Q. One thing I wanted to also address, and this is,
13 basically, a purpose to remind myself, as well as the
14 Commission, when is the Company planning to implement
15 the new Default Service schedule for the Large Customer
16 Group?

17 A. That would be February 1st, 2014.

18 Q. So, when you go out for your four-year solicitation in
19 February, you will be seeking, for the Large Customer
20 Group, bids for the -- for two 3-month periods in that
21 six months?

22 A. Yes. We would be seeking bids for the May 1st through
23 July 31st period, and then the August 1st through
24 October 31st period.

[WITNESS: Warshaw]

1 Q. And, so, the Commission can expect next year to have
2 two Default Service filings from the Company, instead
3 of the customary four that we've seen for the last four
4 years or so?

5 A. Yes.

6 MS. AMIDON: Okay. One moment please.

7 (Atty. Amidon conferring with Mr.

8 Siwinski.)

9 MS. AMIDON: We have no further
10 questions. Thank you.

11 CHAIRMAN IGNATIUS: Thank you.
12 Commissioner Scott.

13 CMSR. SCOTT: Good afternoon.

14 WITNESS WARSHAW: Good afternoon.

15 MS. KNOWLTON:

16 CMSR. SCOTT: Some of this may be
17 educating me, so, you'll have to bear with me.

18 BY CMSR. SCOTT:

19 Q. So, on the solicitation, there's three months, so, to
20 bid under that solicitation, obviously, you don't need
21 the same price for each month, as we've seen. So, if
22 I'm a bidder, I could give you a higher price to
23 reflect, as you mentioned, the winter risk, and I'll
24 give you a lower price as it trails off. Is that fair?

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[WITNESS: Warshaw]

1 A. Yes. They're able to provide pricing that reflects
2 their forecast of what the monthly futures would be.
3 Yes.

4 Q. And, in this solicitation, they have to bid for the
5 whole three-month block, though, they can't break it up
6 or could they?

7 A. No. They can only bid for the three-month blocks.

8 Q. And, obviously, in other solicitations, you've kind of,
9 for whatever block you've set, you've allowed them to
10 bid on increments, is there -- is that not correct?

11 A. No. They don't bid on increments. They will bid on
12 the entire block. So that, for the Small Customer
13 Group, we historically have gone out for a six-month
14 supply, and suppliers would bid for each month of the
15 six months, but they would have to take the entire
16 six-month service. But they are able to, again,
17 provide monthly pricing that reflects the costs that
18 they expect to occur during that month.

19 Q. Okay. But they would have to cover the whole period
20 though?

21 A. Yes.

22 Q. Okay. And, that was my question. I was just, again,
23 trying to understand it. Is there any value to
24 breaking things up even smaller? I remain -- you know,

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[WITNESS: Warshaw]

1 we've discussed this before in other dockets, I remain
2 concerned about limited number of bidders and of ways
3 to increase the bidding pool, if you will.

4 A. I had not talked to suppliers about only going out for
5 one month's supply at a time. They would probably not
6 be receptive to that, because there's a lot of work to
7 do one month versus three months. And, if you end up
8 asking them to do that twelve times a year, instead of
9 maybe twice a year, I think those that -- some of the
10 suppliers would then drop out, because of the cost
11 involved in participating that many times. And, to my
12 recollection, I don't know of any other distribution
13 company that does a monthly bid at a time.

14 Q. Well, let me ask another way. Again, my goal is,
15 ideally, obviously, as we've discussed in the past,
16 more bidders would be more competition, which would be
17 good for all the ratepayers. Obviously, some of the
18 bidders have put in, as you discussed, they saw more
19 risk in February, so they bid higher for February
20 trying to cover that risk. So, with that in mind, that
21 clearly some people are willing to put a price on the
22 risk and go ahead and bid anyways, do you have -- why
23 aren't there more bidders? Why do you think that is?

24 A. The reason -- the reason that we have such few bidders

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[WITNESS: Warshaw]

1 is because of the amount of market uncertainty for the
2 winter months. But I would balance that with, if we
3 went to just a monthly bid and have, you know, 12
4 auctions a year, there may be -- you may also lose
5 bidders for the other months, because there's too much
6 work involved in having to redo their models every
7 month, and, again, they would possibly drop out and not
8 bid. So, I think, all in all, moving to a monthly
9 program would probably not increase the participation
10 of bidders, and would possibly even lose a number of
11 bidders, who normally would have bid in the other
12 months, for the May through October period.

13 Q. Fair enough. I'm just trying to explore options for
14 you. And, you discussed the RGGI refund, what's the
15 word I want, methodology you're talking about. Can you
16 help me a little bit, as far as, so, what would that
17 mean for what you've proposed for a lag, from when you
18 receive funds from the State, to when a customer would
19 actually see a credit, what would be the time lag?

20 A. Well, for the RGGI credit that would be for auctions
21 that occurred in 2014, our proposal would be such that
22 customers would not see a credit until January 1st of
23 2015. But they would receive any interest due on
24 credits as we receive them on a quarterly basis.

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[WITNESS: Warshaw]

1 Q. And, of course, the flip-side of that is, during 2014,
2 they will be receiving 2013 credits, correct?

3 A. Only the Default Service customers.

4 Q. Correct.

5 A. Beginning in 2014, it would go to all distribution
6 customers.

7 Q. Okay. That's fair. But, moving forward, once it goes
8 from default to everybody, I was questioning the time
9 lag. But, once you prime the pump, so to speak,
10 there's always a rebate happening for customers, just
11 it's the rebate from earlier times?

12 A. As long as the State continues to provide the credit,
13 we will continue to provide the credit into our
14 customers.

15 Q. Fair enough, too. On the borderline issue, so, I got a
16 little bit confused on the metering issue. So, are --
17 what I would get out of your discussion is that you are
18 comfortable, this is a question for you, that the
19 borderline customers -- let me rephrase it.

20 CHAIRMAN IGNATIUS: Before you do, we
21 didn't really give you a chance to go into the borderline
22 matters because of the confidentiality concerns. Is that
23 right or am I mixing issues?

24 MS. KNOWLTON: They're related. The

[WITNESS: Warshaw]

1 meter issue is not confidential, so don't hesitate on this
2 part of the transcript to ask anything you want. The
3 issue relating to the negotiations for payment for prior
4 borderline sales, that's the confidential piece.

5 CHAIRMAN IGNATIUS: I mean, I think we
6 have a couple of choices. We could hold off on anything
7 related to the borderline sales issue. Let you then
8 testify, give everybody a chance to question about that,
9 or try to continue on right now with the non-confidential
10 materials, and start up again with confidential. And,
11 they're both a little bit awkward either way we go. But
12 do people have a preference? I mean, if we do it, to kind
13 of begin again in a few minutes, after we finish the
14 straight default service issues, then, I think we'd turn
15 to the court reporter afterwards to work with the parties
16 to make sure that some sections will be public and some
17 sections will have to be kept confidential, but we'd keep
18 the topic together. It may be more coherent that way.

19 MS. AMIDON: I think that's the
20 preferred way to go. I think you have a good idea there.

21 CMSR. SCOTT: Should I wait?

22 CHAIRMAN IGNATIUS: Yes. Why don't you
23 wait on the border issues.

24 CMSR. SCOTT: Well, if that's the case,

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1 madam Chair, I'm done.

2 CHAIRMAN IGNATIUS: I have a couple of
3 questions. First, on the border -- no.

4 (Laughter.)

5 BY CHAIRMAN IGNATIUS:

6 Q. You had said that Class II, III, and IV RECs that are
7 qualified for New Hampshire are in tight supply looking
8 out into the future, correct?

9 A. Yes.

10 Q. I meant to check this before coming in, and I forgot to
11 do so. The Commission issued an order temporarily
12 reducing the obligations in Class III and Class --

13 CMSR. SCOTT: One (I), the thermal
14 piece.

15 BY CHAIRMAN IGNATIUS:

16 Q. That's right. The thermal component of Class I. Do
17 you recall if those temporary reductions extend into
18 the 2014 obligations?

19 A. No, they do not.

20 Q. Did they cover 2012 and '13? It was a two-year period,
21 I recall.

22 A. It was just '12 and '13.

23 Q. Okay. I also wanted to just have you look again at the
24 chart that Ms. Amidon pulled out that had the different

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1 components of the rate.

2 A. Bates 091 maybe?

3 Q. Thank you. Yes. And, trying to understand the
4 significant increase that your successful bidder
5 included for the month of February. There are two
6 pieces to that increase that have to do with the
7 difficulty of natural gas availability for electric
8 generation. You have both lines, 9, which is the
9 straight cost of the ISO's Winter Program, correct?

10 A. Correct.

11 Q. And, that doesn't appear in March or April, because the
12 program is over by the end of February?

13 A. That's correct.

14 Q. And, then, you have a significant difference in the
15 pricing that's proposed, and that's in Line 5, where
16 February is higher significantly than March and April,
17 correct?

18 A. Correct.

19 Q. And, that's not a rate that's imposed by anyone, that's
20 in the bidder's judgment of what the level of risk that
21 the bidder is willing to undertake for the month of
22 February, as compared to March and April?

23 A. Correct.

24 Q. So, if someone were to see that significant increase

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1 for February in the "Total Default Service Rate", in
2 Line 11, it would not be fair to say that that increase
3 is the result of the ISO Winter Reliability Program?
4 That may be an element of it, but it's a fairly small
5 element of the increase for February, correct?

6 A. I would say it's a reflection of the uncertainty of
7 ISO-New England being able to meet the electric load at
8 any one time, especially if there's a cold snap.

9 Q. If it turns out to be a mild February, the bidder would
10 be quite successful in having high rates, without the
11 actual procurement of gas being all that expensive that
12 month, correct?

13 A. Well, it would depend upon how they hedge their risk.
14 They may have locked in for generation and/or natural
15 gas, and -- to support that number. And, if, for some
16 reason, the market price is lower, they may or may not
17 receive a benefit to that. They may still end up
18 having to pay what they locked in, and possibly some
19 other party may receive the benefit of a warmer
20 February without spiking prices.

21 Q. Right. It's more complicated than simply one
22 transaction. There's often multiple transactions in
23 the chain. And, if it turns out that it's even colder
24 or for some reason there's constraints beyond what the

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1 bidder anticipated, there could even be a way in which,
2 even --

3 (Court reporter interruption.)

4 BY CHAIRMAN IGNATIUS:

5 Q. Even with the higher price, there could be a risk of a
6 financial loss during the month of February?

7 A. Yes. But we would be protected, because we have a
8 fixed price from the bidder. And, based on the
9 financial assurance that the bidder has provided, our
10 customers would be protected from any problems.

11 Q. And, in the same way this high spike that we saw in the
12 wholesale market on December --

13 A. December 14th.

14 Q. -- 14th, doesn't affect your customers directly,
15 correct?

16 A. It does not affect our Energy Service customers
17 directly, no.

18 CHAIRMAN IGNATIUS: Is there any
19 redirect, Ms. Knowlton?

20 MS. KNOWLTON: I have none.

21 CHAIRMAN IGNATIUS: On the default
22 service issues? Then, why don't we shift then to
23 questioning, Mr. Warshaw, giving you a chance to speak to
24 the border sales issues in a little more detail, and then

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1 we'll do another round of questioning that any of the
2 parties and the Commissioners may have.

3 MS. KNOWLTON: Would you like me, first,
4 to give an update on the status of that?

5 CHAIRMAN IGNATIUS: Yes. And, however
6 you want, between an offer of proof and his testimony,
7 it's up to you.

8 MS. KNOWLTON: Okay. I'll make an offer
9 of proof on the settlement discussions, and Mr. Warshaw
10 can elaborate, if need be, and also he can address the
11 meter issues. So, at this point, I would request that we
12 go into a confidential record.

13 CHAIRMAN IGNATIUS: And, I don't believe
14 there's anyone here who needs to leave the room. It's the
15 Commission Staff, Consumer Advocate, and members of the
16 Company. So, that's fine. You can proceed.

17 **(Whereupon the following testimony and**
18 **discussion is considered CONFIDENTIAL**
19 **AND PROPRIETARY, and therefore is**
20 **provided in a separate transcript so**
21 **designated, containing *Pages 37***
22 ***through 50.*)**

23
24

1 **(Hearing resumes in the public session.)**

2 CHAIRMAN IGNATIUS: Well, good. I'm
3 glad to hear that.

4 All right. Then, if there's nothing
5 else, you are both excused. Thank you very much.

6 I think, is there anything other than
7 striking the identification, and then moving to closings?

8 (No verbal response)

9 CHAIRMAN IGNATIUS: Any objection to
10 striking identification on the exhibits?

11 (No verbal response)

12 CHAIRMAN IGNATIUS: Then, we'll do that.
13 And, turn, I guess, to Ms. Chamberlin for a closing
14 statement.

15 MS. CHAMBERLIN: Thank you. The OCA has
16 no objection to implementing the rate as proposed.

17 CHAIRMAN IGNATIUS: Thank you.

18 Ms. Amidon.

19 MS. AMIDON: Thank you. Staff reviewed
20 the Petition, and we have determined that Granite State
21 has complied with the Settlement Agreement approved by the
22 Commission in Order Number 24,577, which set up this
23 Default Service solicitation process. We believe they
24 followed that process in the bid solicitation, bid

1 evaluation, and the selection of the winning supplier.

2 And, we believe that the resulting rates are market-based,
3 as supported by the testimony of Mr. Warshaw here today.

4 And, in addition, we have reviewed the
5 information for which they requested confidential
6 treatment under PUC Administrative Rule 201. The requests
7 are consistent with the rule and with prior orders
8 granting such treatment by the Commission, and we would
9 recommend that the Commission grant that as well, and
10 approve the Petition. Thank you.

11 CHAIRMAN IGNATIUS: Thank you.

12 Ms. Knowlton.

13 MS. KNOWLTON: Thank you. The Company
14 requests that the Commission approve the rates that are
15 proposed in the December 16th, 2013 filing. The bid
16 process that was followed is consistent with all of the
17 legal requirements of the Settlement Agreement and the
18 statute. And, we believe that the rates that are proposed
19 are based on the market.

20 The Company also requests that the
21 Commission issue an order by December 23rd, 2013, so that
22 we can comply with the terms of the Settlement Agreement,
23 which requires an order five days from the date of the
24 filing.

1 We would also ask that the Commission
2 approve the Company's proposed method for calculating the
3 return of RGGI 2014 auction proceeds, so that we can begin
4 to prepare those calculations, once we start to receive
5 money in 2014 from those auctions.

6 And, finally, again, we'd like to thank
7 the Commission and its Staff for its assistance in
8 resolving the borderline sales dispute.

9 CHAIRMAN IGNATIUS: Thank you. We'll be
10 certain to pass on your comment to Mr. Mullen as well,
11 since he's not here to hear the comment. I'm glad it's
12 been resolved. That's good news. And, obviously, we know
13 that these move incredibly fast. We will meet the
14 deadline of the 23rd. We'll take this under advisement
15 and close this hearing. Thank you.

16 **(Whereupon the hearing was adjourned at**
17 **2:14 p.m.)**